CITY OF
BLOOMINGTON

# New Revenue: Frequently Asked Questions

*As of March 18, 2022. As details are developed, this document will be updated.*

## About General Obligation Bonds

**What is a General Obligation (G.O.) bond?**
A general obligation bond (G.O. bond) is a municipal bond backed solely by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project. General obligation bonds are issued with the belief that a municipality will be able to repay its debt obligation through taxation or revenue from projects. No assets are used as collateral.

**What are the benefits of using G.O. bonds to fund projects?**
G.O. bonds allow cities to fund high-cost long-term capital infrastructure that allows repayment of longer periods of time. Typically bonds are issued with a repayment term of 5 to 30 years. G.O. bonds are backed by and repaid with local property taxes and are guaranteed by the State to receive first priority funding. Because of this repayment source, they generally receive a Governmental unit's highest bond rating and are therefore considered a safe investment. In addition, these G.O. bonds are generally exempt from State And Local taxes.

**What projects are best suited to being funded with a G.O. bond?**
One-time capital investments are good projects for being funded with a G.O. bond, such as a multi-use trail or essential equipment replacements.

## About the Local Income Tax

**What is a Local Income Tax (LIT)?**

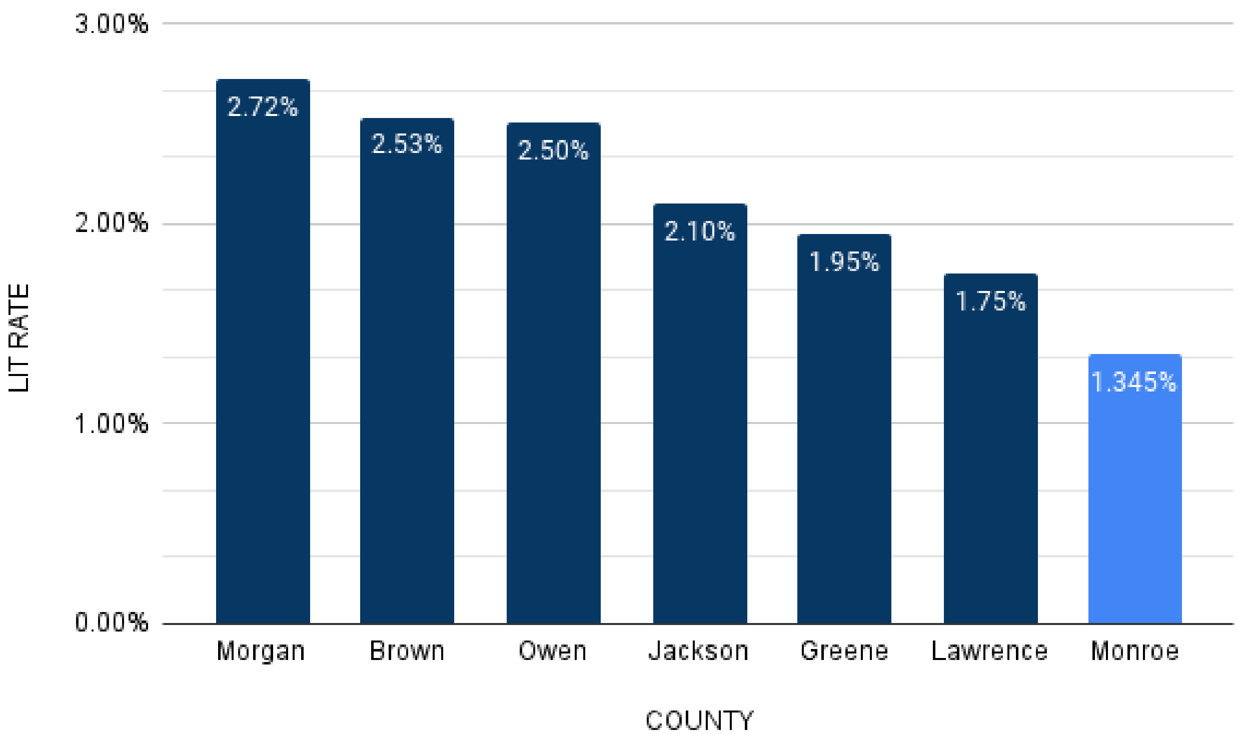
The Local Income Tax (or LIT) is a tax on income, paid by individuals. It is a proportionate tax on adjusted gross income, assessed at a flat rate, meaning that the more income you earn, the more tax you pay. The LIT rate is set and imposed countywide. Municipalities receive the LIT paid by their residents.

**What is our current Local Income Tax rate?**

The LIT rate for Monroe County is currently 1.345% of adjusted gross personal income for Monroe County residents.

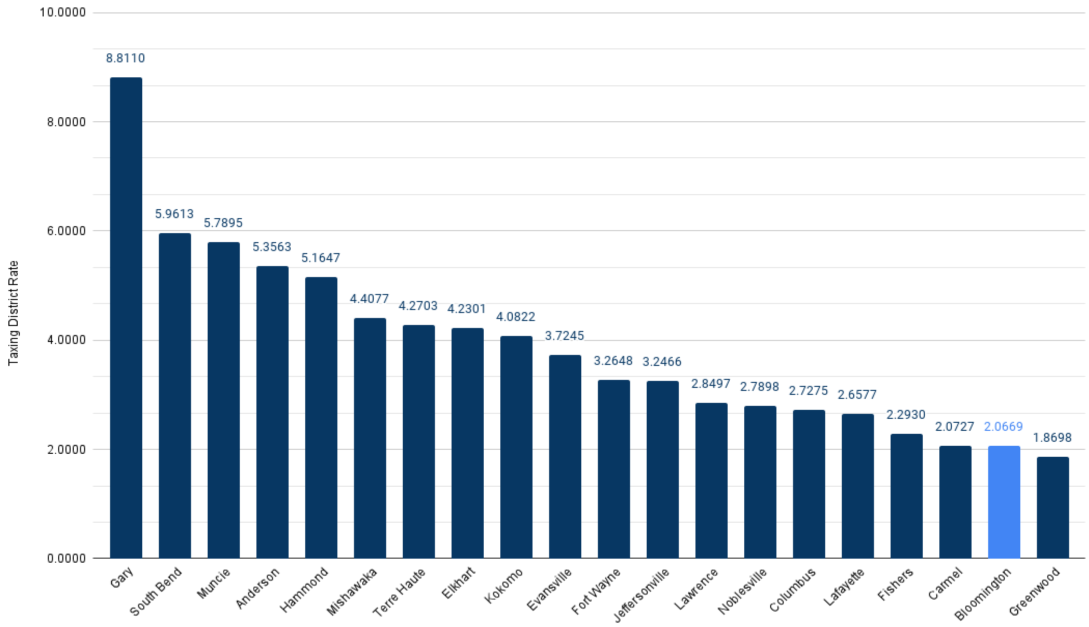
**How does our tax rate compare to other communities?**

Historically, Monroe County has among the lowest tax rates in the region, including the lowest local income tax rate of our seven contiguous counties. Monroe County's rate ranks 23rd from the lowest among the 92 counties in the state - in the bottom quartile.




*Source: Indiana Department of Revenue*

Note that among Indiana's 20 largest cities (excluding Indianapolis/Marion County), Bloomington is a very low-tax city. Specifically, we are in the lowest quartile of those cities both for property tax rates and local income tax rates.




*Source: Reedy Financial Group*

## LIT Logistics and Implementation

**What is the process for getting this tax approved?**

A new Monroe County tax may be proposed by the Bloomington City Council, the County Council, the Ellettsville Town Council, or the Stinesville Town Council. These Councils together form the “Local Income Tax Council” or LIT Council for Monroe County. The Councils can meet together to vote, or each council may vote on the proposed tax separately. The LIT Council has 100 votes in total, which are distributed among the member councils based on population. Because a majority of Monroe County’s population lives in Bloomington, Bloomington’s City Council has a majority share of the votes.

**Will the funds raised by the LIT increase go into a special fund or the general fund for the City, and why?**

Funds resulting from a LIT increase would go into the general fund for the City, so there would be just one annual budget for the City. There are a few reasons for this:

- A LIT increase would be ongoing, as opposed to one-time monies, like ARPA funds.
- The revenue raised through this LIT increase wouldn’t be for one specific purpose, like revenue raised through a Public Safety (PS) LIT is, but rather would be designed to meet major pressing needs like climate change and public safety and cover increased expenses related to overall City operations.

- Our specific priorities may change over time, as our community evolves and our needs change.

The annual City budget process is public and requires approval by the City Council. This provides us with an annual opportunity to review and refine the way the LIT is spent.

**Why doesn't the LIT proposal include a percentage increase?**

The first step in this process involves identifying necessary community projects and how much those projects will cost. The resulting LIT rate is primarily just a function of the work done in step one--after the Council and the Mayor and the community have selected necessary projects, we sort out the resulting LIT rate as step two of the process. Basic parameters on the limits of a LIT rate are of course part of the conversation, but within those limits, the focus is very much on deciding which projects should be funded, not on the rate itself.

The proposed LIT investments represent a menu of options in front of the Council and the community. Ultimately some of these projects may end up being funded and others may not. We see this as an opportunity to have a conversation about a menu of important projects and whether they should be funded, rather than a proposal for a LIT increase. It would be premature to propose a specific rate increase at the outset of this discussion, and then to subsequently sort out what projects we should fund with any newly-secured revenue.

**What does the portion of LIT for property tax relief mean?**
Indiana Code 6-3.6-5-4 allows a county to impose a LIT rate to be used as a credit against property taxes. This allows the County to use LIT funds for the purpose of offsetting property taxes for all residents: this operates essentially as an exemption/credit on a person's property taxes.

## Why Raise the LIT?

**Why doesn’t the City just cut costs and tighten its belt instead of raising the LIT?**
The City consistently reviews and implements ways to save money through innovation and critical assessment of programs and services provided. Those programs and services that have proven necessary and helpful to residents continue; those that are not are improved upon or discontinued. Savings in the past several years include a range of projects, from solar panel installations that lower energy costs, to adding quick response vehicles to the Fire Department fleet, to more efficient deployment of Public Works crews, to revamping how leaves are collected and processed. The scope of services, programs, and projects that the City seeks to

provide to its residents, however, is much larger in scope; savings cannot fund these needs without drastic and damaging reductions in personnel and essential services.

**What would happen if the LIT didn't pass?**
Bloomington would be faced with very significant challenges in the coming years meeting our current level of services and continuing to move forward on economic, social, and environmental justice endeavors. The City Council would not be able to ratify the agreed-upon FOP contract, as there are no funds available for the additional salary costs (approximately $1.5 million annually.) Other initiatives such as many of those outlined in the Climate Action Plan (CAP) would also not have funding available.

**Why is this being proposed now?**
While requesting a tax increase is always a difficult choice, an increase is essential if we are to be proactive about rebuilding our community from this downturn in a way that better incorporates our goals for public safety, economic, racial, and climate justice. The state legislature may well reduce or eliminate a municipality's ability to accomplish new revenues. Mayor Hamilton proposed a 0.5% increase to the LIT in January of 2020, designed for climate change action and preparedness, though the onset of the COVID-19 pandemic made this not feasible at the time. In the fall of 2020, Mayor Hamilton proposed a 0.25% increase to the LIT, focused on COVID response, climate action, and economic justice. This did not receive the necessary votes to be implemented.

At this time, there are significant programs and initiatives implemented with American Rescue Plan Act (ARPA) dollars for the purposes of economic, racial, and climate justice, which will not be able to continue without an increase in the LIT providing ongoing funding. As our community recovers from the COVID-19 pandemic, amid rising labor and materials costs, we will not have the resources we need to meet our stated goals as a community without this increase in the LIT.

The needs are urgent and the sooner the LIT is approved the sooner we will have resources available to address our community's needs. We also anticipate that the state legislature may continue to make changes to the way local governments can raise revenues to meet local needs, so a timely approval of the LIT will better equip us to manage our recovery.

**How will this money be used to help Bloomington recover from the COVID pandemic?**
City government has a responsibility to Bloomington's future even as we seek immediately to repair the damage wrought by the COVID pandemic. The revenues generated by the proposed Local Income Tax are needed not only to compensate for the current downfall but to build the City back in a way that ensures long-term and widely distributed well-being and resiliency. Proposed investments will build toward this stronger, more just, and more sustainable future by increasing access to jobs, housing, social services, transportation options, quality of life, retaining and attracting well-trained public safety professionals, and more.

## LIT Impact

**The LIT is a flat tax. How can we make the impact of the LIT more progressive (i.e. less burdensome on low-income residents)?**

Unfortunately, the State of Indiana doesn't allow municipalities to levy a wealth tax or a progressive income tax. The LIT proposal includes $750,000 annually for an economic equity fund that would provide direct benefits to low-income working residents and families.

**Is the tax just for City residents or would it apply to all residents of Monroe County?**

According to state law, local income taxes are county-specific; so the LIT would apply to all Monroe County residents.

**Do all Indiana counties have a tax like this?**

All 92 Indiana counties have a Local Income Tax.

**How many new taxes or raised taxes have been enacted since 2016?**

Two. The public safety local income tax was adopted by the LIT Council in 2016 at a 0.25% rate to fund police, fire, and dispatch improvements that protect us all. The food and beverage tax, enacted by County Council in 2018, was a new 1% sales tax placed on retail sales of prepared food and beverages and will be used to fund a convention center expansion and other tourism-related projects.

## Proposed Climate Action Plan Investments

**The proposed LIT increase would provide $1,500,000 annually in investments to implement the CAP. What are examples of items that could be implemented from the Climate Action Plan (CAP)?**
The Climate Action Plan can be found here: https://bton.in/ZC2Y5

1. Transportation investments
    a. City fleet vehicle electrification *(CAP TL 2-A: support and encourage electric vehicle adoption)*
    b. Expanded micromobility options (example: electric bike share program) *(CAP TL 1-B)*
    c. Transportation demand management *(CAP TL 1-A: reduce single-occupancy vehicle use)*

2. Energy and built environment investments:
    a. Energy efficiency retrofits for all City buildings *(SAP 8.1: reduce non-renewable energy use from municipal operations)*
    b. Bloomington Housing Authority solar conversion *(CAP EB1: increase distributed renewable energy)*
    c. Continuing and expanding the Solar & Energy Efficiency Loan (SEEL) program for nonprofits and small businesses *(CAP EB5: increase financing options for energy efficiency and renewable energy)*
    d. Continuing and expanding the Bloomington Green Home Improvement Program (BGHIP) for homeowners *(CAP EB5: promote equity in energy and resource costs and ownership)*
3. Local agriculture investments:
    a. Local food purchasing incentive program *(CAP FA 3: increase and stabilize the local food market)*
    b. School food garden program *(CAP FA 3: increase local food supply)*
    c. Incentives for food processor businesses *(CAP FA 3: increase local food supply)*
    d. Increased community gardens *(Sustainability Action Plan 4.2: increase food gardens within the community)*
4. Waste management investments:
    a. Curbside composting program, parallel to trash and recycling services *(CAP WM1: increase organics diversion)*
    b. Recycling services for apartment buildings and other multi-family units (4+) *(CAP WM 1: increase recyclables diversion)*
5. Additional tree canopy measures, such as shade trees in high heat areas and/or private tree planting incentives *(CAP G2: increase citywide tree canopy coverage)*
6. Funding for the Green Ribbon Panel to accelerate climate action *(CAP CE 2: attract, create, and support businesses that are committed to sustainability and climate goals)*